

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 2429 – HB 2342

April 17, 2014

SUMMARY OF ORIGINAL BILL: Authorizes an existing licensed nursing home that meets certain criteria to divide and relocate up to 260 of its licensed beds to two locations.

FISCAL IMPACT OF ORIGINAL BILL:

Other Fiscal Impact – The proposed legislation could result in a nursing home reaching full occupancy of current licensed beds. If the legislation directly results in the facility reaching full capacity, the Bureau of TennCare could incur additional expenditures that, while currently responsible for such costs, the Bureau is not currently experiencing. It is difficult to determine the exact fiscal impact directly related to the passage of the legislation and the fiscal year in which the full impact will be realized. If the facility reaches full occupancy for its currently licensed beds, the TennCare program will expend approximately \$3,621,900 in state funds and \$6,745,700 in federal funds for costs of approximately 181 filled beds.

SUMMARY OF AMENDMENTS (013476, 016857): Amendment 013476 deletes all language after the enacting clause. Authorizes an existing licensed nursing home that meets certain criteria to relocate less than all of its licensed beds but no more than 140 licensed beds to a new location. Requires the existing facility to take action to reduce its licensed bed capacity to no more than 120 beds so that after the certification of the partial replacement facility, the combined number of licensed beds relocated from the existing nursing home to the partial replacement facility and the remaining beds at the existing nursing home do not exceed 260 licensed beds.

Amendment 016857 adds language stating that in the event a civil action is brought to challenge the constitutionality of the bill as amended, the prevailing party shall be entitled to be reimbursed for reasonable costs and expenses of bringing such action, including reasonable attorney fees.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENTS:

Other Fiscal Impact – In the event a civil action is brought to challenge the constitutionality of the legislation and the state is not the prevailing party, the state will have to pay reasonable costs and expenses of the action. An exact fiscal impact cannot be determined but is reasonably estimated to exceed \$10,000.

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Assumptions for the bill as amended:

- According to the Health Services and Development Agency (HSDA), there is one nursing home that will meet the criteria of the bill to relocate beds.
- A certificate of need would have to be obtained prior to the relocation of any licensed beds. Application fees from the certificate of need process will be collected to cover the cost of the review; therefore, the net impact to HSDA is not significant.
- According to the Bureau of TennCare, the facility is currently licensed for 419 beds.
- Based on information provided by the Bureau of TennCare, the facility's occupancy averaged 289 filled beds during calendar year 2012. In December 2013, the occupancy was 217 filled beds. As of February 2014, the occupancy was 229 filled beds. Currently there are 190 unfilled licensed beds.
- Requiring the facility to reduce existing beds so that the facility has a capacity of no more than 260 licensed beds will not significantly increase the average number of beds that are eligible for Medicaid reimbursement; therefore, the TennCare program will not incur a significant increase in costs that the program is responsible for under current law but is not currently incurring due to the facility's inability to reach full capacity.
- If a civil action is brought challenging the constitutionality of the bill as amended and the Office of the Attorney General and Reporter is not the prevailing party, the state will be ordered to reimburse the plaintiff for reasonable costs and expenses of bringing such action, including reasonable attorney fees. An exact impact cannot be determined but is reasonably estimated to exceed \$10,000.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Lucian D. Geise, Executive Director

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